

UNITED STATES TAX COURT
WASHINGTON, DC 20217

HAROLD RAY STANLEY,)	
)	
Petitioner,)	
)	
v.)	Docket No. 5341-13.
)	
COMMISSIONER OF INTERNAL REVENUE,)	
)	
Respondent)	

ORDER

Pursuant to Rule 152(b), Tax Court Rules of Practice and Procedure, it is

ORDERED that the Clerk of the Court transmit to petitioner and to respondent a copy of the pages of the transcript of the proceedings of the above case before Judge Joseph W. Nega at Little Rock, Arkansas, on April 7, 2014, containing his oral findings of fact and opinion.

In accordance with the oral findings of fact and opinion, the decision line is amended and will read, decision will be entered under Rule 155.

(Signed) Joseph W. Nega
Judge

Dated: Washington, D.C.
 April 23, 2014

SERVED Apr 24 2014

1 Bench Opinion by Judge Joseph W. Nega

2 Date: April 8, 2014

3 Harold Ray Stanley v. Commissioner

4 Docket No. 5341-13

5 The Court has decided to render oral
6 findings of fact and opinion in this case and the
7 following represents the Court's oral findings of
8 fact and opinion. The oral findings of fact and
9 opinion shall not be relied upon as precedent in any
10 other case. In this Bench Opinion all citations are
11 to sections, unless otherwise noted, of the Internal
12 Revenue Code for the year at issue, and citations to
13 rules are to the Tax Court Rules of Practice and
14 Procedure. This opinion is rendered pursuant to
15 Section 7459(b) and Rule 152. Harold Ray Stanley is
16 self-represented. William F. Castor represents
17 respondent. In a notice of deficiency dated December
18 7, 2012, respondent determined deficiencies in
19 petitioner's federal income tax for tax years 2010
20 and 2011 and penalties and/or additions to tax
21 related to the deficiencies. For tax year 2010,
22 respondent determined a \$73,719 deficiency in income
23 tax, \$16,587 penalty under Section 6651(a)(1), \$1,518
24 penalty under Section 6654 and a penalty to be
25 computed at a later date under Section 6651(a)(2).

1 For tax year 2011, Respondent determined a \$53,050
2 deficiency in income tax, \$11,936 penalty under
3 Section 6651(a)(1), \$1,050 penalty under
4 Section 6654 and a penalty to be computed
5 at a later date under Section 6651(a)(2). The issues
6 for decision are as follows:

7 1) whether petitioner had unreported
8 Non-employee compensation from Tri-State
9 Generation and Transmission Association (Tri-State)
10 in 2010 and 2011 of \$205,866 and \$148,530
11 respectively; 2) whether petitioner had unreported
12 non-employee compensation from Mid-America
13 Consultants, Inc., (Mid-America) in 2010 and 2011 of
14 \$13,090 and \$6,070 respectively; 3) whether
15 petitioner had unreported non-employee compensation
16 from Electrical

17 Reliability Services Emerson Process
18 Management (Emerson) in 2010 and 2011 of \$6,450 and
19 \$16,350 respectively; 4) whether petitioner is

20 entitled to business ^{es} ~~expensive~~ associated with the JWN
21 non-employee compensation in 2010 and '11, namely,
22 travel expenses and amounts paid to his wife for
23 services she purportedly rendered, which amounts were
24 claimed on invoices petitioner submitted to the
25 third-party payors. Respondent concedes that

1 petitioner is entitled to travel expenses for amounts
2 he claimed on invoices and expense reports submitted
3 to third-party payors in 2010 and 2011, which amounts
4 total \$13,032 and \$6,968 respectively; 5) whether
5 petitioner is liable for an addition to tax under
6 Section 6651(a)(1) for failure to file for 2010 and
7 2011; 6) whether petitioner is liable for an addition
8 to tax under Section 6651(a)(2) for failure to pay
9 for 2010 and ~~'11~~²⁰¹¹; and 7) whether petitioner is liable JWN
10 for an addition to tax under Section 6654 for failure
11 to pay estimated tax in 2010 and
12 2011.

13 BACKGROUND

14 Petitioner failed to file federal income tax returns
15 for 2010 and 2011. Petitioner also failed to make
16 any payments of tax attributable to income received
17 in 2010 and 2011. Third-party payors submitted Forms
18 1099 for 2010 and 2011 reporting non-employee
19 compensation paid to petitioner. For 2010, the
20 third-party reporting shows that Tri-State paid
21 petitioner \$178,050 for petitioner's services,
22 \$12,392 for travel expenses, and \$14,885 for expenses
23 performed by petitioner's wife, Lorane Stanley; Mid-
24 America paid petitioner \$13,090; and Emerson paid
25 petitioner \$6,450. For 2011, Tri-State paid

1 petitioner \$132,750 for his services, \$6968 for
2 travel expenses, and \$10,400 for expenses performed
3 by Lorane Stanley; Mid-America paid petitioner
4 \$6,070; and Emerson paid petitioner \$16,350.

5 Based on the third-party reporting,
6 respondent prepared substitutes for returns (SFRs)
7 for petitioner determining that petitioner had
8 unreported non-employee compensation of \$225,406 for
9 2010 and \$170,950 for 2011. Based on these amounts,
10 respondent determined that petitioner was liable for
11 deficiencies in income tax of \$73,719 for 2010 and
12 \$53,050 for 2011. Respondent also determined that
13 petitioner was liable for additions to tax for
14 failure to timely file the 2010 and 2011 returns
15 under Section 6651(a)(1) for failure to timely pay
16 tax under Section 6651(a)(2) and for failure to make
17 estimated tax payments under Section 6654.

18 Petitioner responded to the notice of
19 deficiency by alleging that he had no lawful
20 obligation or responsibility to pay taxes for 2010
21 and 2011. Petitioner's arguments include, inter alia,
22 that the Constitution does not confer any taxing
23 authority on the government and that salaries, wages,
24 and compensation for personal services are not
25 included within the definition of gross income.

1 Petitioner timely filed a petition with the
2 Court on March 5, 2013. In response to the prompt,
3 "Explain why you disagree with the IRS determination
4 in this case," petitioner stated, "No obligation."
5 Petitioner amended his petition on April 26, 2013.
6 The amended petition asserts that petitioner has no
7 lawful obligation to file tax returns or pay taxes
8 for 2010 and 2011 and that the government does not
9 have the authority to tax petitioner on his labor and
10 reimbursed expenses.

11 DISCUSSION

12 Generally, the Commissioner's determinations are
13 presumed correct and the taxpayer bears the burden of
14 proving these determinations wrong. Rule 142(a);
15 Welch v. Helvering, 290 U.S. 111, 115 (1933). JWN

16 Petitioner's core assertion at trial is that the
17 United States Government lacks authority to tax him
18 based on his individual right to work for a living.
19 Petitioner's arguments are similar to those we have
20 previously held to be without merit. Cf. Crane v. JWN
21 Commissioner, 737 F.2d 417 (5th Cir. 1984) ("To refute JWN
22 petitioner's arguments with somber reasoning and
23 copious citation of precedent might suggest that his
24 arguments have some colorable merit."). Accordingly,
25 we sustained respondent's deficiency determination

1 for petitioner's 2010 and 2011 taxable years.

2 Under Section 162(a), a taxpayer is allowed
3 to deduct all ordinary and necessary expenses paid or
4 incurred during the taxable year in carrying on a
5 trade or business. Deductions for ordinary and
6 necessary business expenses are to be narrowly
7 construed. Commissioner v. Jacobson, 336 U.S. 28; 49 JWN
8 (1949). Deductions are strictly a matter of
9 legislative grace, and petitioners bear the burden of
10 proving they are entitled to the deductions claimed.
11 New Colonial Ice Co. v. Helvering, 292 U.S. 435 JWN
12 (1934); Rule 142. Petitioner is required to maintain
13 records sufficient to enable respondent to determine
14 his current tax liability. See Section 6001; Sec. JWN
15 1.6001-1(a), Income Tax Regs. In addition,
16 petitioner bears the burden of substantiating the
17 amount and purpose of the claimed deduction. See JWN
18 Hradesky v. Commissioner, 540 F.2d 821 (5th Cir. JWN
19 1976). The Court need not accept a taxpayer's self-
20 serving testimony when the taxpayer fails to present
21 corroborative evidence. Beam v. Commissioner, T.C. JWN
22 Memo. 1990-304.

23 Ordinarily, the Commissioner bears the
24 burden of production with respect to a taxpayer's
25 liability for additions to tax. See Sec. 7491(c). JWN

1 However, where a petition fails to state a claim in
2 respect of additions to tax, the Commissioner incurs
3 no obligation to produce evidence in support of such
4 determinations pursuant to Section 7491(c). Funk v. JWN
5 Commissioner, 123 T.C. 213, 218 (2004); see also JWN
6 Swain v. Commissioner, 118 T.C. 358 (2002). Rule JWN
7 34(b)(4) requires that petitions filed with this
8 Court contain clear and concise assignments of each
9 and every error which the petitioner alleges to have
10 been committed by the Commissioner in the
11 determination of the deficiency or liability,
12 including matters with respect to which the
13 Commissioner has the burden of proof. Any issue not
14 raised in the assignments of error shall be deemed to
15 be conceded. Rule 34(b)(4). The petition in this
16 case contains only frivolous arguments and lacks any
17 clear assignment of error allegedly committed by
18 respondent in the determination of additions to tax.
19 Consequently, petitioner is deemed to have conceded
20 the additions to tax and the respondent is not
21 obligated under 7491(c) to produce evidence that
22 additions to tax are appropriate. Funk v. JWN
23 Commissioner, 123 T.C. at 217-218; Swain v. JWN
24 Commissioner, 118 T.C. at 364-365. Accordingly, we JWN
25 sustain respondent's determination of additions to

1 tax for petitioner's 2010 and 2011 taxable years.

2 The decision will be entered for
3 respondent, and, if necessary, computations should
4 follow. This concludes the Court's oral findings of
5 fact and opinion in this case.

6 (Whereupon, at 4:00 p.m., the above-
7 entitled matter was concluded.)

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